

SOLAR ENERGY SYSTEM INCOME TAX CREDIT

Prior Law

None

New Provisions

A solar energy system tax credit is available for individual income and corporation income tax for solar energy systems located in Iowa.

For individuals, the solar energy system tax credit is equal to 50% of the federal residential energy efficient property tax credit related to solar systems provided in section 25D(a)(1) of the Internal Revenue Code for solar electric property and section 25D(a)(2) of the Internal Revenue Code for solar water heating property. The Iowa credit for an individual cannot exceed \$3,000.

For corporations, which also include partnerships, limited liability companies (LLC), and S corporations, the solar energy system tax credit is equal to 50% of the federal energy credit as provided in sections 48(a)(3)(A)(i) of the Internal Revenue Code for solar electric, heating and cooling property and 48(a)(3)(A)(ii) of the Internal Revenue Code for equipment using solar energy to illuminate structures using fiber-optic distributed sunlight. The Iowa credit for a corporation cannot exceed \$15,000.

The federal credit is available for property placed in service before January 1, 2017, so the Iowa credit will be available for the 2012-2016 tax years. The federal credit is claimed on federal form 5695, Residential Energy Credits for individuals and federal form 3468, Investment Tax Credit, for corporations.

Any credit in excess of the tax liability is not refundable, but the excess can be carried forward to the tax liability for the next ten years or until depleted, whichever is the earlier.

The cumulative amount of tax credits that can be issued to both individuals and businesses cannot exceed \$1.5 million.

An individual can claim the tax credit earned by a partnership, LLC, S corporation, or estate or trust electing to have income taxed directly to the individual. The amount claimed by the individual is based on the pro rata share of the individual's earnings in the partnership, LLC, S corporation, or estate or trust.

Taxpayers who claim this credit are not eligible to claim a renewable energy tax credit under Iowa Code chapter 476C.

The Department is required to submit a written report to the Governor and the General Assembly by January 1 of each year regarding the number and value of tax credits claimed related to this credit, along with any other information deemed relevant by the Department.

Sections Amended

Section 7 of 2012 Iowa Acts Senate File 2342 creates new section 422.11L, Code Supplement 2011. Section 8 amends section 422.33, Code 2011, by adding new subsection 29. Section 9 amends section 476C.2, Code Supplement 2011, by adding new subsection 3.

Effective Date

Retroactive to January 1, 2012, for tax years beginning on or after that date.